



Online Fraud Detection and Prevention (OFDP)

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Hun Kim
Director, OFDP
Hun.Kim@irs.gov
202 283-6742

Table of Contents

- Online Fraud – An Increasing Threat
- Online Fraud Detection and Prevention Office
- Online Fraud Trends and Methodologies
- Online Fraud Detection and Prevention Update
- Conclusion

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Increasing threats are facing the IRS and American Taxpayers

- FTC estimates 10 million Americans' identities are stolen each year
 - Dumpster Diving: Rummaging through trash looking for bills or other documents
 - Skimming: Stolen credit/debit card numbers using a special storage device
 - Phishing: Fraudulent e-mail or pop up messages pretending to be financial institutions or companies to obtain personal information
 - Stealing: Wallets, purses, mail

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Increasing threats are facing the IRS and American Taxpayers (cont.)

- Online fraud is an increasing concern for the public and can threaten the IRS business model if taxpayers lose confidence in the security of electronic channels
- Theft of taxpayer information can lead to refund and financial crimes
- Numerous stakeholders are involved in response to the online fraud incidents
- A comprehensive plan involving stakeholders is key to combating online fraud

Table of Contents

- Online Fraud – An Increasing Threat
- Online Fraud Detection and Prevention Office
- Online Fraud Trends and Methodologies
- Online Fraud Detection and Prevention Update
- Conclusion

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Business Case to Support Online Fraud Detection and Prevention

- Congress set a goal 80% of tax returns being e-filed
- Reduced cost of processing: \$0.35 for an e-filed return vs. \$2.87 for a paper return
- 2005 Cyber Security Industry Alliance survey
 - 48% of consumers avoid making online purchases due to fear of financial information theft

Business Case to Support Online Fraud Detection and Prevention (cont.)

- 2006 Business Software Alliance and Harris Interactive Survey
 - Almost 30% of adults stated security fears compelled them to shop online less or not at all
- 2007 PhishTank report
 - IRS is the 24th most spoofed brand in the world

Office of Privacy, Information Protection and Data Security

**Privacy, Information Protection and Data Security
(PIPDS)**

Office of
Privacy

Identity Theft
and Incident
Management

Online Fraud
Detection and
Prevention

Online Fraud Detection and Prevention

OFDP Mission

To reduce online fraud against the IRS and taxpayers

OFDP Goals

- Establish a rapid response capability to detect and mitigate against online fraud incidents
- Establish a robust analytic and operational information sharing capability to prevent and reduce risk
- Promote technological innovations and process improvements to tackle current and next generation online fraud schemes
- Promote online fraud outreach and awareness programs with public and private sectors to reduce vulnerabilities and minimize the severity of online fraud
- Create a culture of organizational excellence

Outcomes

- Reduce the number of fraudulent refunds issued
- Reduce the number of taxpayers who fall victim to online fraud schemes
- Raise public confidence in the e-Filing process and increase the number of e-file returns submitted

IRS Nationwide

2008

Tax
FORUM

Partners in Tax
Administration

Table of Contents

- Online Fraud – An Increasing Threat
- Online Fraud Detection and Prevention Office
- Online Fraud Trends and Methodologies
- Online Fraud Detection and Prevention Update
- Conclusion

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Methods

- Get Your Refund
 - Spam based
 - Unsophisticated attack methodology
 - Awareness is an effective countermeasure

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Methods

- e-file Phishing Sites
 - Web based
 - Advertised through commercial pay per click sites
 - Captures the victim's tax information and reroutes the refund to the phisher's bank account
 - Returns are submitted through valid Electronic Return Originators (EROs)
 - Targets Free File users

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Methods

e-mail

From: "Internal Revenue Service"
Subject: IRS Notification - Fiscal Activity
Date: Sun, 26 Aug 2007 23:57:35 +0300

After the last annual calculations of your fiscal activity we have determined that you are eligible to receive a tax refund of \$268.32.

Please submit the tax refund request and allow us 6-9 days in order to process it.

A refund can be delayed for a variety of reasons. For example submitting invalid records or applying after the deadline.

To access the form for your tax refund, please [click here](#).

Regards,
Internal Revenue Service
© Copyright 2007, Internal Revenue Service U.S.A. All rights reserved.



Fraudulent Site

Internal Revenue Service
United States Department of the Treasury

Contact IRS | About IRS | Site Map | Español | Help

Keyword/Search Terms
Advanced Search Search Tips

INDIVIDUALS | BUSINESSES | CHARITIES & NON-PROFITS | GOVERNMENT ENTITIES | TAX PROFESSIONALS | RETIREMENT PLANS COMMUNITY | TAX EXEMPT BOND COMMUNITY

Most Requested Forms and Publications

1. [Form W-4](#)
2. [Form W-9](#)
3. [Form 1040](#)
4. [Form SS-4](#)
5. [Form 8822](#)

[More Forms and Publications](#)

Online Tools

- [Online EIN Application](#)
It's fast and user-friendly
- [Where's My Refund?](#)
It's quick, easy and secure
- [e-file](#)
Fast, Easy & More Accurate.
- [electronic IRS](#)
File, Pay... and More.

[More Online Tools](#)

Get Refund

Please enter your Social Security Number and your **DEBIT Card** information where refunds will be made. Double check your data before submitting this form

SSN:

Debit Card Number:

Expiry date: Month Year

CVV2:

Full Name:

City:

Zip Code:

Date of Birth: Ex: mm/dd/yy

Email:

I need to...

► **NEW e-file for Excise Taxes**

Is your Form 2290 due?
Why not e-file!

► **BONUS at Anaheim Forum**

Multicultural issues? Talk to

IRS Nationwide
2008
Tax
FORUM
Partners in Tax
Administration

Fraudulent IRS e-mail

From: "Internal Revenue Service"

Subject: IRS Notification - Fiscal Activity

Date: Sun, 26 Aug 2007 23:57:35 +0300

After the last annual calculations of your fiscal activity we have determined that you are eligible to receive a tax refund of \$268.32.

Please submit the tax refund request and allow us 6-9 days in order to process it.

A refund can be delayed for a variety of reasons. For example submitting invalid records or appying after the deadline.

To access the form for your tax refund, please [click here](#) .

Regards,

Internal Revenue Service

© Copyright 2007, Internal Revenue Service U.S.A. All rights reserved.

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Fraudulent Stimulus Payment e-mail

From: service@irs.gov
Date: 4/18/2008 12:32:00 PM
Subject: Get 2008 Economic Stimulus Refund (\$1800)

Over 130 million Americans will receive refunds as part of President Bush program to jumpstart the economy.

Our records indicate that you are qualified to receive the 2008 Economic Stimulus Refund.

The fastest and easiest way to receive your refund is by direct deposit to your checking/savings account.

Please click on the link and fill out the form and submit before April 18th, 2008 to ensure that your refund will be processed as soon as possible.

Submitting your form on April 18th, 2008 or later means that your refund will be delayed due to the volume of requests we anticipate for the Economic Stimulus Refund.

To access Economic Stimulus Refund, please click here.

Link pointed to: <http://forty-two.info/msm/install/templates/.www.irs.gov/get-refund/irfofgetstatus.htm>

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Fraudulent IRS Site



IRS Nationwide
2008
Tax
FORUM

Partners in Tax
Administration

[Contact IRS](#) | [About IRS](#) | [Site Map](#) | [Español](#) | [Help](#)



Internal Revenue Service

United States Department of the Treasury

[Advanced Search](#) [Search Tips](#)

INDIVIDUALSBUSINESSESCHARITIES & NON-PROFITSGOVERNMENT ENTITIESTAX PROFESSIONALSRETIREMENT PLANS COMMUNITYTAX EXEMPT BOND COMMUNITY

Most Requested Forms and Publications

- [Form W-4](#)
- [Form W-9](#)
- [Form 1040](#)
- [Form SS-4](#)
- [Form 8822](#)

[More Forms and Publications](#)

Online Tools

- [Online EIN Application](#)
It's fast and user-friendly
- [Where's My Refund?](#)
It's quick, easy and secure
- 
Fast, Easy & More Accurate.
- 
File, Pay... and More.

[More Online Tools](#)

Get Refund

Please enter your Social Security Number and your **DEBIT Card** information where refunds will be made. Double check your data before submitting this form

SSN:

Debit Card Number:

Expiry date:

CW2:

Full Name:

City:

Zip Code:

Date of Birth: Ex: mm/dd/yy

Email:

I need to...



► **NEW e-file for Excise Taxes**

Is your Form 2290 due?
Why not e-file!

► **BONUS at Anaheim Forum**

Multicultural issues? Talk to

Official IRS Site



IRS Nationwide
2008
Tax
FORUM
Partners in Tax
Administration

Internal Revenue Service - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Refresh Print Mail W PDF AutoFill Send to Settings

Address http://www.irs.gov/ Go Links

Google Go Bookmarks 82 blocked Check AutoLink AutoFill Send to Settings

Contact IRS | About IRS | Site Map | Español | Help

Internal Revenue Service

United States Department of the Treasury

Keyword/Search Terms SEARCH
Advanced Search Search Tips

INDIVIDUALS | BUSINESSES | CHARITIES & NON-PROFITS | GOVERNMENT ENTITIES | TAX PROFESSIONALS | RETIREMENT PLANS COMMUNITY | TAX EXEMPT BOND COMMUNITY

Most Requested Forms and Publications

1. [Form 1040](#)
2. [Form 1040EZ](#)
3. [Form W-4](#)
4. [Form W-9](#)
5. [Form 1040 Tax Tables](#)

[More Forms and Publications](#)

Online Tools

- [Where's My Refund?](#)
It's quick, easy and secure
- **freefile**
Take the free way.
- **irs e-file**
Fast, Easy & More Accurate.
- **electronic IRS**
File, Pay... and More.

[More Online Tools](#)

Rebate Questions?

Find out whether you're eligible for a stimulus payment, and when and how to get it.

Use Free File to Prepare Your Taxes

Free tax preparation and electronic filing available for taxpayers who earn \$54,000 or less.

Visit 1040 Central

Your first stop for information on tax law changes, publications and tax tips.

Warning on Identity Theft Scams

Phony e-mails and phone calls falsely claim to come from the IRS.

Information About

- [Careers](#)
- [Newsroom](#)
- [Phishing and e-mail Scams](#)
- [Tax Stats](#)
- [Frequently Asked Questions](#)
- [Taxpayer Advocate](#)

I need to...

<Select One> GO

I TAKE CREDIT

Earned Income Tax Credit

► **Can you take credit?**

If you work but don't earn a lot, the EITC may be for you.

► **Mortgage Problems?**

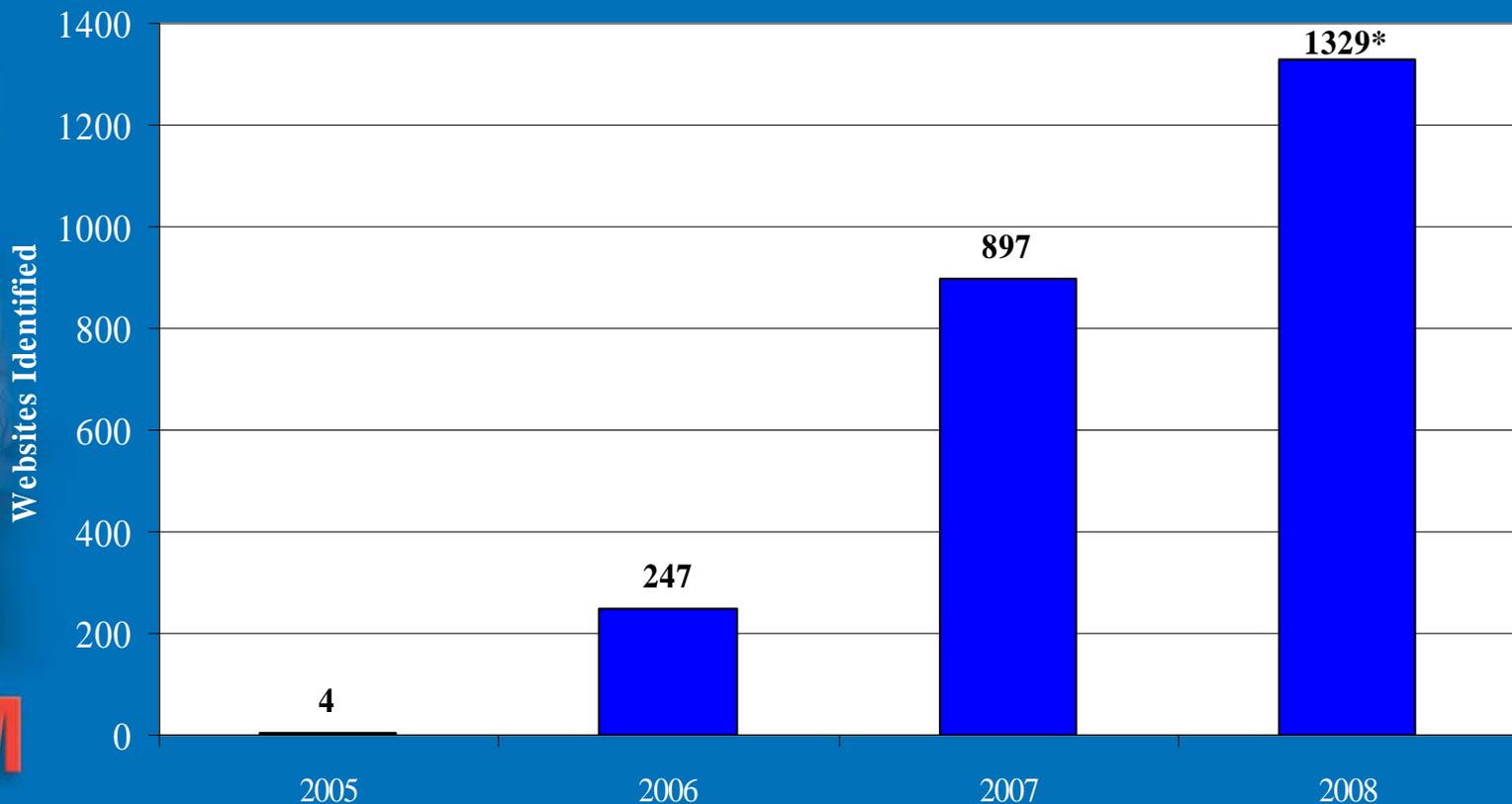
Find out about tax relief for mortgage debt forgiveness.

[Accessibility](#) | [Appeal a Tax Dispute](#) | [Contracting Opportunities](#) | [FirstGov.gov](#) | [Freedom of Information Act](#) | [Important Links](#)
[IRS Privacy Policy](#) | [U.S. Treasury](#) | [Treasury Inspector General for Tax Administration](#)

Done Internet

Phishing Statistics by Year 2005 - 2008

Yearly Phishing Totals



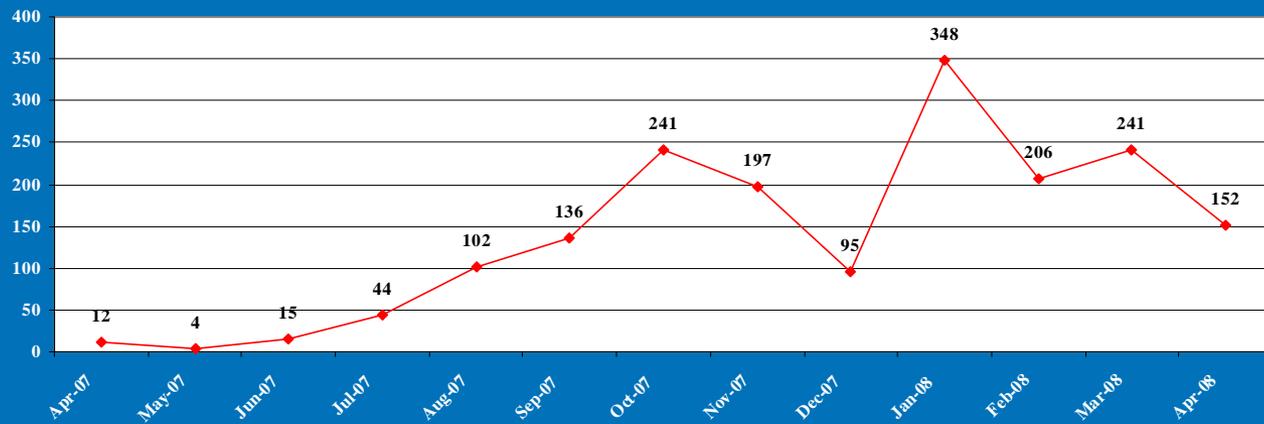
* Per weekly MarkMonitor reports through May 23, 2008

IRS Nationwide
2008
Tax
FORUM

Partners in Tax
Administration

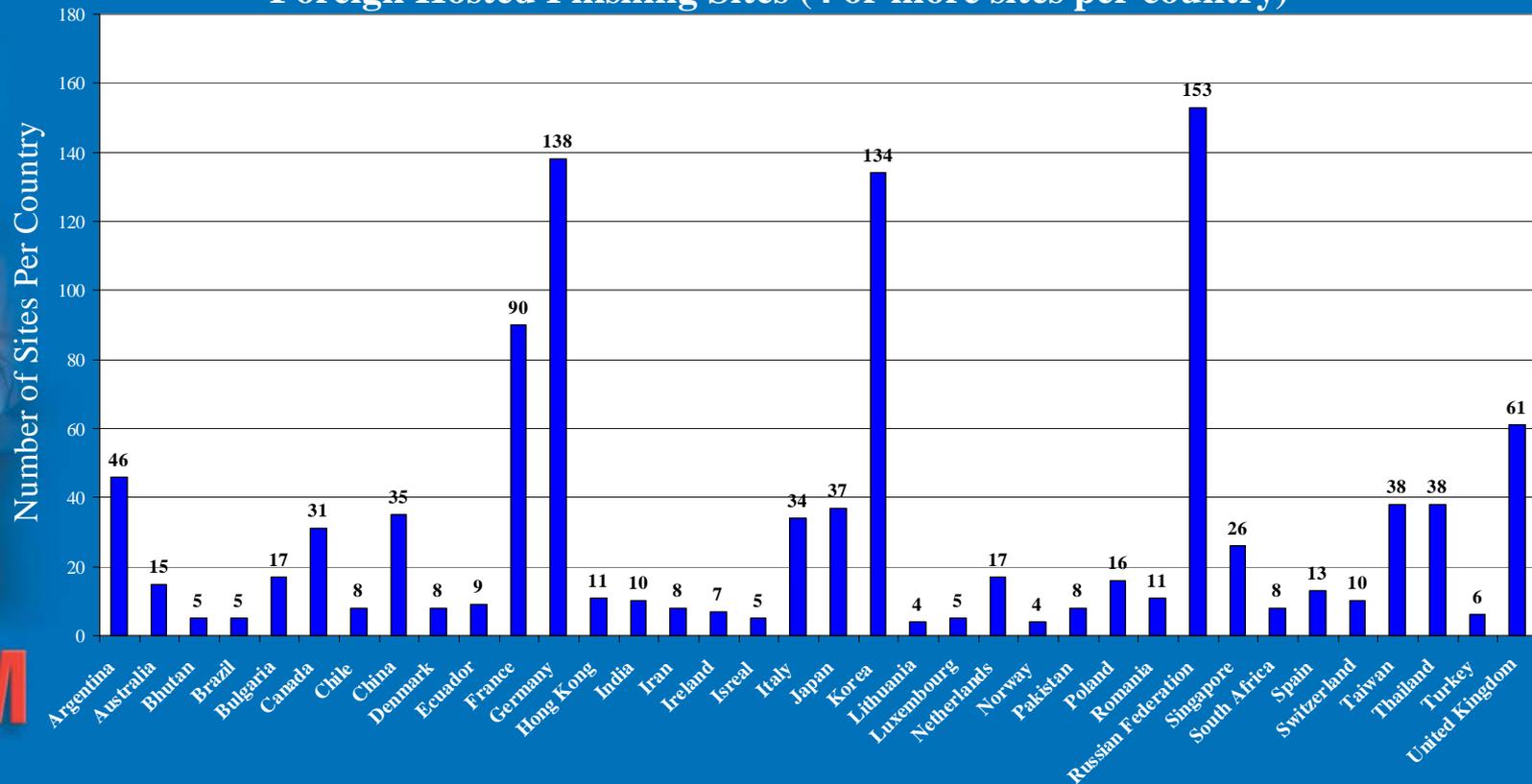
Phishing Statistics by Month: April 2007 – May 2008

Monthly Phishing Thru May 23, 2008



Phishing Statistics: Foreign Hosted Phishing Sites April 2007 - May 2008

Foreign Hosted Phishing Sites (4 or more sites per country)

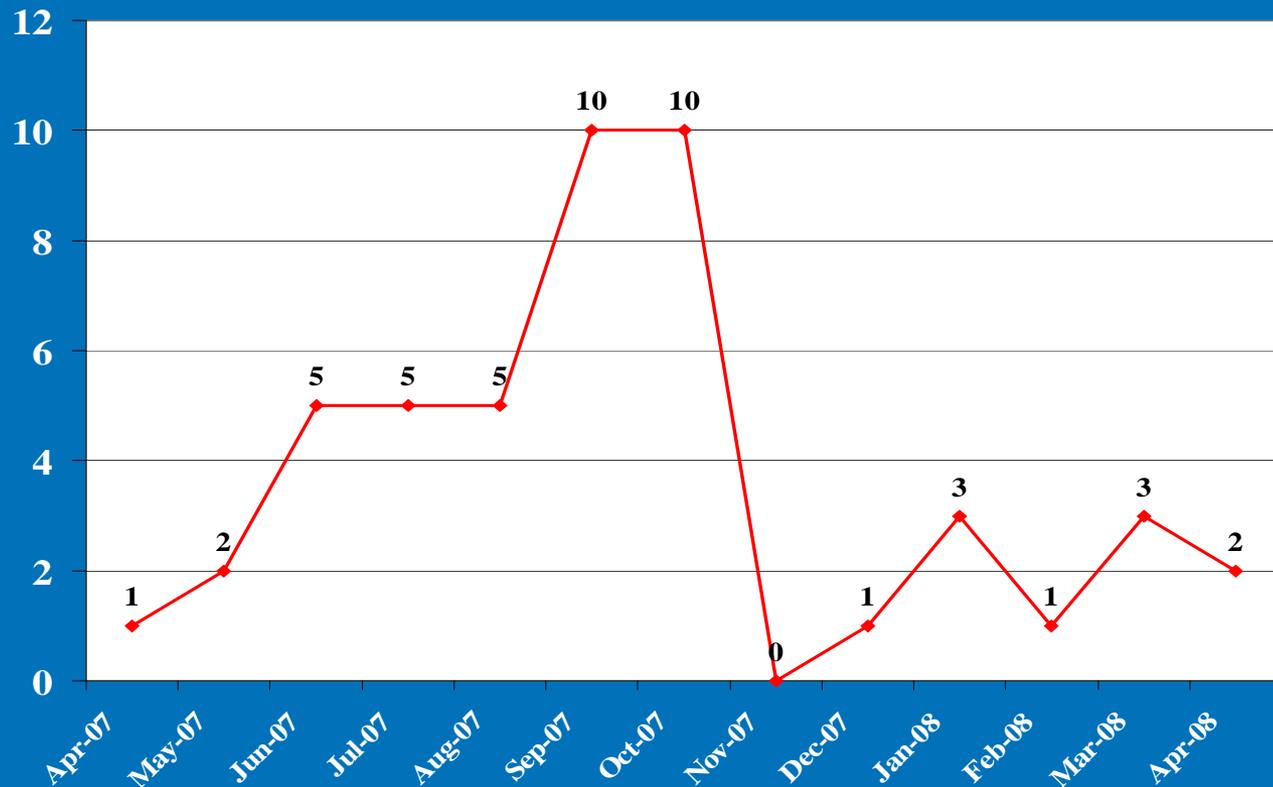


IRS Nationwide
2008
Tax
FORUM

Partners in Tax
Administration

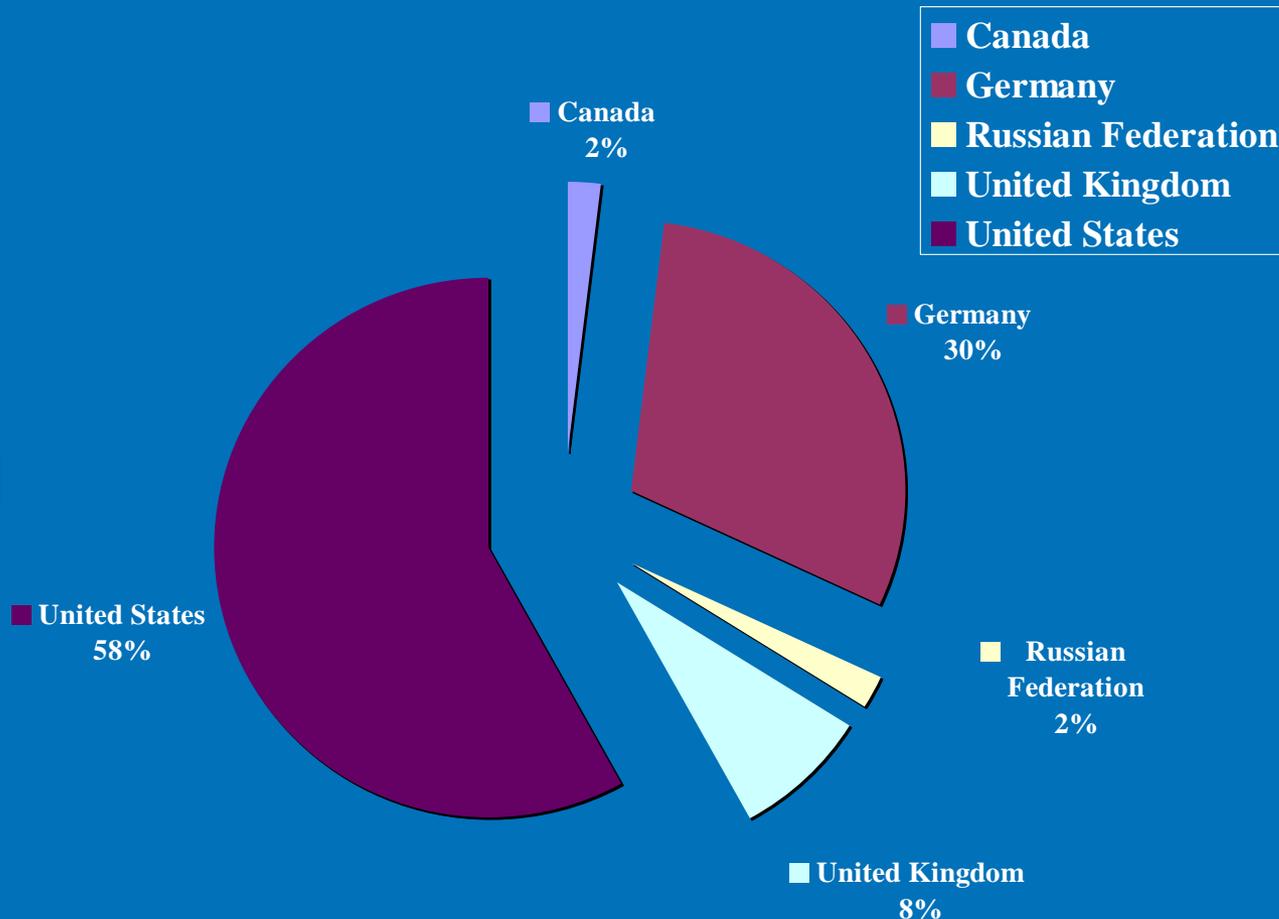
e-File Phishing Sites by Month April 2007 – April 2008

e-File Phishing Sites by Month April 2007 - April 2008



E-File Phishing Sites by Host Country April 2007 – May 2008

e-File Phishing Sites by Hosting Country



IRS Nationwide
2008
Tax
FORUM
Partners in Tax
Administration

Table of Contents

- Online Fraud – An Increasing Threat
- Online Fraud Detection and Prevention Office
- Online Fraud Trends and Methodologies
- Online Fraud Detection and Prevention Update
- Conclusion

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Detection and Prevention Update

- Established an initial operating capability to detect, analyze, and shut down fraudulent sites
- Developed partnerships to pursue criminal investigation
 - Department of Justice
 - US Attorney
 - Treasury Inspector General for Tax Administration
 - Criminal Investigation

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Detection and Prevention Update (cont.)

- Developed partnerships to notify victims and take account maintenance actions as appropriate
 - Office of Identity Theft and Incident Management
 - Customer Account Services

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Detection and Prevention Update (cont.)

- Initiated internal IRS collaboration initiatives with a number of organizations
 - Criminal Investigation
 - Computer Security Incident Response Center
 - Electronic Tax Administration
 - Office of Communication, Liaison and Disclosure

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Detection and Prevention Update (cont.)

- Initiated IRS collaboration initiatives with a number of organizations
 - Multi State Information Sharing and Analysis Center (MS-ISAC)
 - US Secret Service- Electronic Crimes Task Force
 - Department of Justice- Computer Crimes and Intellectual Property
 - Federal Trade Commission

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Online Fraud Detection and Prevention Update (cont.)

- Initiated IRS collaboration initiatives with a number of organizations
 - National Cyber Security Alliance- Anti-Phishing Task Force
 - Anti-Phishing Working Group
 - BITS Financial Services Roundtable
 - Department of Homeland Security- National Cyber Security Division

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

PIPDS has developed an online fraud, refund crimes, and taxpayer assistance process

Process Phases

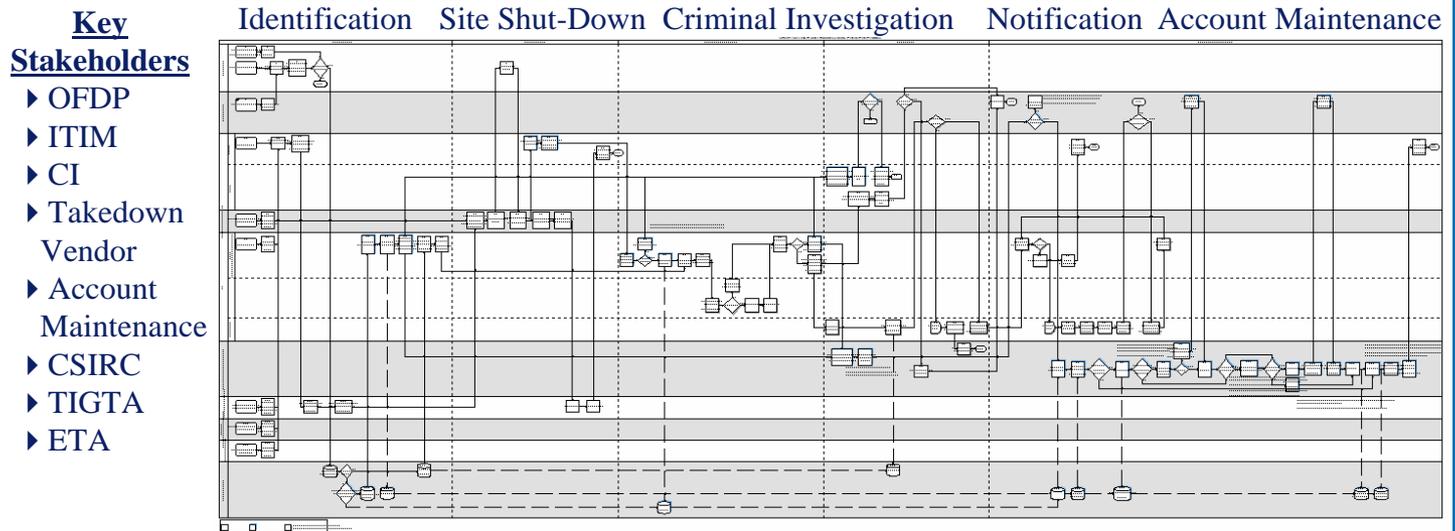


Table of Contents

- Online Fraud – An Increasing Threat
- Online Fraud Detection and Prevention Office
- Online Fraud Trends and Methodologies
- Online Fraud Detection and Prevention Update
- Conclusion

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Conclusion

- Online fraud is a global issue
- Execution of a comprehensive strategy in partnership with all stakeholders is the key to success
- Please visit
 - <http://onguardonline.gov>
 - www.IRS.gov

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

Conclusion

- Please report suspicious tax related e-mails to
 - IRS: phishing@irs.gov
 - FTC: www.ftc.gov/idtheft

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

